

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 381 - HB 405

February 22, 2011

SUMMARY OF BILL: Exempts from state and local sales tax any tangible personal property or services sold to disabled veterans who have been honorably discharged from any branch of the armed services of the United States, provided the disabled veteran has a service-connected disability that is determined by the United States Veterans' Administration to constitute a 100 percent permanent total disability. Requires any eligible disabled veteran to submit an application and evidence of permanent disability to the Department of Revenue (DOR). Requires the Commissioner of Revenue to issue an identification card or other document to eligible disabled veterans that declares the veteran is entitled to the sales tax exemption. Authorizes the Commissioner of Revenue to promulgate rules and regulations to effectuate the purpose of this bill.

ESTIMATED FISCAL IMPACT:

**Decrease State Revenue – Net Impact - \$4,885,500/Recurring
Increase State Expenditures - \$4,800/One-Time
\$45,300/Recurring**

Decrease Local Revenue — \$1,755,700/Recurring

Assumptions:

- According to the U.S. Department of Veterans Affairs, approximately 11 percent of veterans receive benefits; nine percent of veterans who receive benefits are permanently disabled.
- According to DOR, this bill does not limit the proposed exemption to permanently disabled veterans residing in Tennessee.
- The Commissioner of Revenue restricts the proposed exemption for permanently disabled veterans residing in Tennessee as part of promulgating rules and regulations for the administration of the exemption.
- DOR indicates that the number of veterans residing in Tennessee was 495,800 as of September 30, 2010. This number is assumed to remain constant.
- The number of permanent disabled veterans residing in Tennessee is estimated to be 4,908 ($495,800 \times 11.0\% \times 9.0\%$).
- According to the U.S. Census Bureau, the population in Tennessee for 2009 was 6,296,254. This number is assumed to remain constant.

- Of the state's total population, approximately 0.078 percent (4,908 / 6,296,254) are permanently disabled veterans.
- The current Fiscal Review Committee estimate for sales tax revenue in FY11-12 is \$6,565,020,000.
- Based on the ratio of actual local option sales tax revenue to actual state sales tax revenue for FY09-10, local option sales tax revenue in FY11-12 is estimated to be \$1,949,456,900.
- The recurring decrease in state sales tax collections will be \$5,120,716 ($\$6,565,020,000 \times 0.078\%$).
- The recurring decrease in local option sales tax revenue will be \$1,520,576 ($\$1,949,456,900 \times 0.078\%$).
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments receive 4.5925 percent of all state sales tax revenue as state-shared sales tax revenue.
- The net decrease in state revenue will be \$4,885,547 [$\$5,120,716 - (\$5,120,716 \times 4.5925\%)$].
- The total decrease in local government revenue will be \$1,755,745 [$\$1,520,576 + (\$5,120,716 \times 4.5925\%)$].
- DOR will require one additional Taxpayer Services Representative 2 position to accomplish the provisions of this bill. The recurring increase in state expenditures will be \$45,300 (\$26,300 for salary, \$11,525 for benefits, and \$7,475 for communications, supplies, etc.). The one-time increase in state expenditures will be \$4,800 (computer and software).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/rnc